

# **STATEMENT OF KEN KLIPPEN, VICE PRESIDENT AND EXECUTIVE DIRECTOR, GOVERNMENT RELATIONS UNITED EGG PRODUCERS**

**House Committee on Agriculture  
July 17, 2001**

Mr. Chairman, thank you for the opportunity to testify. My name is Ken Klippen, and I have worked in the egg industry all my adult life. I have been an egg producer, an egg processor and director general of the International Egg Commission. Now I serve as vice president and executive director of government relations for the United Egg Producers. UEP is a farmer cooperative. Our members account for 80% of all shell egg production in the United States.

The concept paper released by the committee last week is a crucial step toward the next farm bill. I would like to comment on several aspects of the paper.

## **Conservation and the Environment**

**First, we commend and appreciate the concept paper's substantial increase in funding for the Environmental Quality Incentives Program (EQIP) and conservation technical assistance.** As you know, regulations under the Clean Water Act and other statutes will impose a growing burden on livestock, poultry and dairy operations in the coming years.

Egg producers have tried to be pro-active in dealing with these issues. Last year, we signed an "XL" agreement with the Environmental Protection Agency – a voluntary agreement by which participating egg producers will take environmental and conservation steps well beyond what is required by regulations. In return, producers will qualify for general permits rather than individual permits, with substantial savings in legal fees, consulting costs and paperwork burden. The XL agreement will be implemented only in those States that choose to do so, and our organization is working closely with State regulators to make the program available in as many States as possible.

Even with the XL agreement, the costs of complying with regulations will be large. These costs will include developing Comprehensive Nutrient Management Plans (CNMPs), building or modifying existing structures, revamping systems for handling manure and waste water, and making arrangements for field application of manure.

Unfortunately, we are looking at the prospect of increased costs at a time when egg producers are losing money on every dozen eggs they sell. Last year, egg producers lost 6 cents a dozen, on average. After a brief period of profitable prices this spring, returns are again negative. In its July 9 issue, *Feedstuffs* magazine reported producer prices of 46-51 cents per dozen in the

Midwest. Producers are not making money at these levels. Even though demand is strong, it is overwhelmed by oversupply.

Our industry is trying to deal with the problem of low prices on both the supply and demand sides. As a cooperative, we have urged our producers to implement a voluntary program of supply management. We continue to support the highly successful efforts of the American Egg Board to expand the demand for eggs through research and promotion. Still, the increased costs of environmental compliance have the potential to make a bad economic situation worse.

There are no price or income supports for the egg industry. But like other segments of the livestock and poultry sector, we believe producers should be eligible for cost-sharing and technical assistance when we implement conservation practices and structures that will have a wide societal benefit. Congress has traditionally determined – and with good reason – that in agriculture, it is appropriate for all of us to share costs that will benefit us all. One fundamental reason is that agricultural producers do not have the ability to pass increased costs along to their customers.

Therefore, we commend the committee's commitment to expand EQIP and technical assistance. In fact, most reasonable estimates of our future costs would justify greater increases in both categories. At least in the early years of this farm bill, the livestock, poultry and dairy sectors alone could utilize \$1.2 billion a year effectively. If opportunities present themselves to expand EQIP further, we respectfully urge the committee to take advantage of them. Our basic message, though, is that this is an enormous step – in fact, several steps – in the right direction.

When the committee crafts actual legislative language, we strongly urge that all EQIP and other funds be offered on a non-discriminatory basis. All producers should be eligible for assistance, regardless of size. We realize there will probably be an upper limit on the amount of assistance anyone can get, but no one should be excluded because of size. Producers have grown larger because they have had to do so in order to remain competitive in the face of low prices. Since large operations account for a major portion of total production, it is counterproductive to exclude them from environmental programs. To do so is to allow social policy to stifle environmental progress.

## **Trade**

A second major priority for us is trade policy. Foreign markets are important to the future of the egg industry. As I recently had the opportunity to tell the International Trade Commission, we face trade barriers in many markets, but also have important opportunities for exporting both shell eggs and processed egg products. **The concept paper proposes to expand the Market Access Program (MAP), and we strongly support this action.** We have made a commitment to export markets through our cooperative's role in arranging export orders, as well as through our support of the USA Poultry and Egg Export Council. We are gratified that Congress shares this commitment. In light of continued European Union export subsidies for eggs and egg products, we also believe a renewal of the Export Enhancement Program for the U.S. egg industry is appropriate.

## **Research and Education**

Another indispensable element in building our future is research. Therefore, **we strongly support the continuation of the Initiative for Future Food and Agricultural Systems**. As you write the actual language of the farm bill, we hope you will consider emphasizing research in two priority areas: first, **food safety**, especially the development and improvement of vaccines, quality assurance systems and other interventions that can reduce pathogen incidence; and second, **human nutrition**, particularly the exploration of benefits inherent in functional foods like eggs.

We need to do a better job of communicating the facts about agriculture to all Americans, especially our children and young people. UEP and other producer groups have supported an innovative curriculum called **Food, Land and People**. Since 1988, this K-12 program has worked to meet classroom needs for high-quality, objective and easily-integrated materials that deal with the complexity and interdependence of agriculture and the environment. UEP believes FLP is critically important to our nation's future, because most children – like most adults – have little or no direct connection to farming or ranching. The attitudes they bring to their future roles as leaders, consumers, activists or business operators will be influenced by the information they absorb in their school years. FLP makes learning about agriculture fun, creative and challenging. **We hope the committee will consider authorizing federal assistance for this important effort**, and would be happy to provide draft language that would accomplish this goal.

## **Commodity Programs**

Finally, Mr. Chairman, I would like to comment about sections of the concept paper that describe future programs for grains and oilseeds.

We prefer to leave the design of these policies to those directly affected by them. Like other livestock and poultry producers, however, we do ask the committee to **avoid designing other commodity programs in ways that would hurt our industry**. Our basic request is that you allow commodity prices to be determined by the forces of supply and demand. We ask that you authorize price and income supports in such a way that their interference with market signals is minimal.

Our interest in these principles is direct. Feed accounts for almost 60% of the cost of producing eggs. At a time when egg producers are already losing money, they cannot afford government-induced distortions in their feed costs. The government should not seek to artificially short the market. Neither should the government artificially encourage over-production. Although low grain and oilseed prices reduce our production costs in the short run, in the long run they may lead to egg surpluses by encouraging excessive expansion in our industry.

This is why we believe that grain and oilseed programs should be designed so that prices are free to move in response to supply and demand. The market, not the government, should set feed costs.

UEP thanks the committee for considering our views. We commend you for your hard work on the farm bill, and would like to work constructively with you in the challenging tasks that lie before us.